

Minutes: Policy Subcommittee Meeting

**Tuesday, March 28, 2000, 1:00 p.m.
Salt River Project - 1600 North Priest Dr., Tempe, Arizona 85281**

<i>Topic</i>	<i>Lead</i>	<i>Outcome</i>	<i>Att.</i>
1 Welcome, Intro, Sign-In	Darrel Pichoff	Acting Chairperson Darrel Pichoff, K.R. Saline & Associates, called the meeting to order at 1:05PM. Chairperson Evelyn Dryer, TEP was unable to attend due to automobile problems in Casa Grande. Members introduced themselves.	1
2 Review Minutes of March 21, 2000 Meeting	Darrel Pichoff	Minutes for the March 21, 2000 meeting were accepted.	
3 Review Issue List (attachment 2)	Darrel Pichoff	<p>The Proposed Report Development Process was discussed by committee members. The process timetable is as follows:</p> <ol style="list-style-type: none"> 1. Draft chapters by 4/11 (to be reviewed by subcommittee members) 2. Draft report mailed to all 4/14 3. Briefing meeting with the ACC Staff on 4/18 4. PSWG meeting to review drafts 5/3 & 5/4 <p>Janie Mollon, New West energy, stressed that the meeting scheduled for 4/18 should be viewed as an opportunity for ACC Staff to ask as many questions as possible of PSWG committee members in order to clarify all of the issues and points contained in the draft. The intent of the meeting is to eliminate any eleventh hour questions that would hold up the final draft that will be submitted to the ACC.</p> <p>The following items were discussed among members:</p> <ul style="list-style-type: none"> • The decision to cancel the large group meeting scheduled for April 5, 2000 • Joint waivers to ACC rules, involving standardization processes, and proposed rule changes that will be presented in the final report to the ACC • What the draft document, to be presented on 4/18, would be like (i.e. a good draft of what the final report will be along with a status report) • The identification of best practices (that will be contained in the report due on 4/18) and the possibility of any litigation or rulemaking regarding best practices that are contained in the final report to the ACC • The definition of best practices. 	

4	Discuss Specific Items from Issue List (Attachment 2)	Darrel Pichoff		
	A. Issues #28, #36, #56: APS and TEP to discuss waivers to have UDCs provide MSP and MRSP services for non-residential load profile customers (Alternative #1 of Position Paper, Attachment #3).		A. Barbara Klemstine, APS Energy Services, spoke to subcommittee members about her position paper (Attachment 3). A group discussion on these issues centered on the need for clarification on whether or not an MSP can deal directly with a customer. Concerns were expressed by members regarding the possibilities of an MSP installing meters that are not compatible with existing electrical standards or with UDC/ESP capabilities. The question of unethical practices was raised in connection with this issue (i.e. an incumbent UDC, also acting as an MSP, soliciting customers based on DASR information provided by an ESP). Members also debated whether or not incumbent UDC's were service providers of last resort or competitive entities. Issue #78 was identified as a result of the aforementioned discussions. On the issue of subcontracting, a message from Steve Olea (who was unable to attend because of an open meeting), ACC, informed members that the Commission Staff is looking into the matter and, although it looks feasible at this time, no firm decision has been made to date (assignment, Attachment 5).	3 2 5
	B. Issues #34 & #52.		B. Janie Mollon, New West Energy, gave her scheduled presentation on the MADEN process for heading off potential billing problems in advance.	
	C. Issue #77.		C. A discussion of UMI numbers among committee members resulted in the Development of a pending resolution on Issue # 77. Discussion on the Pending resolution was scheduled for the next policy meeting.	4
5	A. Evelyn to develop joint waiver template. Possible joint waivers to be discussed:	Darrel Pichoff	Due to automobile problems, Evelyn Dryer was unable to present the template of the proposed joint waiver request (assignment, Attachment 5) . Members were informed that a draft report will be e-mailed out to members prior to 4/11/200 and that comments will be needed by 4/11/200.	5
	B. Discussion		A. - D. Members discussed NERC's adoption of CST as opposed to GMT and the "Arizona Time" standard contained in the ACC's CC&N application. A message from Steve Olea informed members that they were correct regarding the absence of a time standard in the ACC rules. Members discussed how this issue could be handled procedurally. Paul Michaud, Martinez & Curtis (representing Navopache), will discuss possible methods for dealing with the matter procedurally at the next meeting (assignment, Attachment 5). Shirley Renfro, APS, and Jim Wontor, APS Energy Services, will follow up on a process for converting data to a time standard (i.e. CST or GMT). Ray Wenzel, Excelergy, went on record as stating that Excelergy opposes the adoption of CST over GMT, given the current reality of Global markets.	5
6	Items for Next Agenda	Darrel Pichoff	Please see Attachment 4 to these minutes for details.	4

7	Meeting Evaluation	Darrel Pichoff	The overall mood was positive.	
8	Adjourn	Darrel Pichoff	Meeting was adjourned at approximately 4:10 PM. REMINDER: NEXT MEETING WILL BE HELD ON APRIL 11, 2000 at 1:00 p.m. to 5:00 p.m. at SRP.	4

Attachment 1- Policy Subcommittee

ARIZONA PROCESS STANDARDIZATION WORKING GROUP

Policy Subcommittee

March 21, 2000 Attendance List

Subcommittee Meeting Attendees	Organization
Mollon, Janie	New West Energy
Michaud, Paul	Navopache
Castillo, Renee	Salt River Project
Aguayo, Stacy	Arizona Public Service (APS)
Rigsby, Bill	Arizona Corporation Commission
Scarbrough, Stacy	Arizona Public Service (APS)
Wontor, Jim	APS Energy Services
Goggin, Laurie	Facilitator
Renfro, Shirley	Pinnacle West
Rumolo, David	GCSECA
Schenk, Jenine	Arizona Public Service (APS)
Cobb, Anne	Trico Electric Co-op
Laos, Dan	Arizona Electric Power Cooperative (AEPCO)
Pichoff, Darrel	K. R. Saline
Scott, Barry	Sulphur Springs Valley Electric Co-op
Klemstine, Barbara	APS Energy Services
Merideth, John	AEPCO
Wenzel, Ray	Excelergy
Brubaker, Wendy	Excelergy

Agenda:
Policy Subcommittee Meeting

Tuesday, April 11, 2000, 1:00 -5:00 p.m.
Salt River Project - 1600 North Priest Dr. Tempe, AZ 85281

	<i>Topic</i>	<i>Lead</i>	<i>Anticipated Outcome</i>	<i>Att.</i>
1	Welcome, Introductions, Sign-In	Evelyn R. Dryer		
2	Review Minutes of March 28, 2000 Meeting	Evelyn R. Dryer		
3	Review Issue List Be prepared to discuss the draft of the policy subcommittee report.	Evelyn R. Dryer		
4	Discuss Specific Items from Issue List: A. Steve Olea to report on the ACC's position on MSPs contracting directly with customers. B. Issue #77: Parties to be prepared to discuss a pending resolution on UMI.	Evelyn R. Dryer		
5	A. Evelyn to have e-mailed draft joint waiver template. Parties to be prepared to discuss this draft. B. Possible joint waivers – parties to be prepared to discuss: a) GMT - Paul Michaud to discuss time standard revisions to ACC CC&N applications. Shirley Renfro and Jim Wontor will discuss their follow up on procedures to convert data to a time standard. b) Modified NERC Holidays c) Items on bill (ACC Rule 1612.N) d) ACC Rule 1615 to allow UDCs to provide MSP and MRSP services to nonresidential load profile customers.	Evelyn R. Dryer		
6	Items for Next Agenda	Evelyn R. Dryer		
7	Meeting Evaluation	Evelyn R. Dryer		
8	Adjourn	Evelyn R. Dryer		

Current Situation:

Currently the ACC Competition Rules (R14-2-1615) provide that UDCs cannot provide competitive metering services beyond 2000 except for load profiled residential customers. Cooperatives are not subject to the provisions of R14-2-1615 unless they offer competitive electric services outside of its service territory. Arizona appears to be one of the few states to elect to prohibit the UDCs from providing these services. Attached is a summary of the provisions that various states have adopted.

Issues:

With the slow start of competition in Arizona, there will be insufficient customers going direct access to provide enough of a market for MSPs to have a local presence in Arizona. Therefore, MSPs must travel from California primarily to do work in Arizona. This increases the cost for meter installations and ongoing maintenance. For reliability and emergency situations ESPs can you use the UDCs. The Commission has approved tariffs for both APS (Schedule #1) and TEP (Terms and Conditions) that allow for this in these situations. Essentially approvals of these tariffs by the Commission have provided for waivers from the Rules for both TEP and APS. Additionally, the Rules prohibit an UDC from providing metering services for non-residential load profiled customers. These customers do not need a new meter to go to direct access. The cost of installing a new meter and equipment to read remotely would prohibit them having access to the market.

Objectives:

Balance the objective of reducing the costs of metering services until such time that there are sufficient customers in the direct access market to support full-time MSP employees locally in Arizona without seriously compromising the long term goal of a competitive metering market.

Alternatives/Justification:

- 1. Allow the UDCs to provide metering services (MSP & MRSP) for non-residential load profiled customers. (Would require a Rule Change to 1615 or Waiver.)**

Residential and non-residential load profiled customers should not be distinguished differently. UDCs were permitted to provide metering services to residential customers to protect them and lower the transaction costs associated in choosing an alternative provider. Small commercial customers also need that protection and cost reduction to make direct access a viable alternative for them.

- 2. Allow the UDCs to provide metering services (MSP only) for interval metered customers until December 31, 2003. Specifically, UDCs should be able to provide labor to the ESPs and procure equipment on their behalf. Ownership of the meter, PTs and CTs would remain as in the existing Rules. Since labor is a direct pass through under traditional cost of service regulation, as an incentive to provide the services, the UDCs could be allowed to reasonably mark up the services. (Would require a Rule Change to 1615 or a Waiver.)**

Since interval meters will be read remotely MRSPs should be able to adequately provide services to ESPs regardless of the actual number of customers that go DA. However, a local presence is needed for MSPs to reduce the cost of

installing and maintaining meters and associated equipment. By 2004, hopefully there will be a sufficient market to financially support MSPs to maintain a business in Arizona. Reducing the transaction cost for a customer to go DA will help the development of the competitive market and effectively allow for more customers to have choice.

3. **Modify Staff interruption of the Rules, such that, certificated MSPs and MRSPs can subcontract with a non-certificated entity to provide services. Permitted, as long as an ESP is financially and technically responsible for that sub-contractor's performance "as their agent" and their compliance with the Rules. (Rule change necessary? – Staff to Address)**

Subcontracting is a way of doing business today. Subcontracting can provide an alternative way to do business in Arizona to reduce the transaction costs of being physically located in another state. The ESP assumes all liability for the agent acting on their behalf. Agent must meet the technical qualifications required by the Rules.

State	Metering Services Competitively Unbundled	Competitive Metering Services Provided by the UDC
Arizona –Investor Owned	Yes	No, beyond 2000 with the exception of the Cooperatives in certain circumstances.
Arizona – Public Power	Yes	Yes
California	Yes	Yes
Pennsylvania PECO	Yes, after the phase-in?	Yes
Nevada	Yes	No
New York	Yes	Yes
New Jersey	Yes, after the 1 st year	Yes?
Maryland	Yes, beginning in 2002	Yes.

ASSIGNMENTS FOR NEXT MEETING

Darrell Pichoff:

(By 3/30)

- Contact Evelyn Dryer re: getting waiver out for review.
- Contact Steve Olea to clarify Staff position on ESP subcontracting.

Shirley Renfroe & Jim Wontor:

(Issue #73, NERC time)

- Follow up on procedures for converting data to a time standard (i.e. GMT, CST)

Paul Michaud:

(Issue #73, NERC time)

- Discuss revisions to CC&N applications.